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TOWN OF MARION
MARION, LOUISIANA

AUDIT REPORT
YEAR ENDED
DECEMBER 31, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/17/02

TOWN OF MARION
MARION, LOUISIANA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2001

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June 10, 2002

INDEPENDENT AUDITORS' REPORT

The Honorable Kenneth W. Franklin, Mayor
and Members of the Board of Alderman

We have audited the accompanying general-purpose financial statements of the Town of Marion, Louisiana, as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town of Marion, Louisiana's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

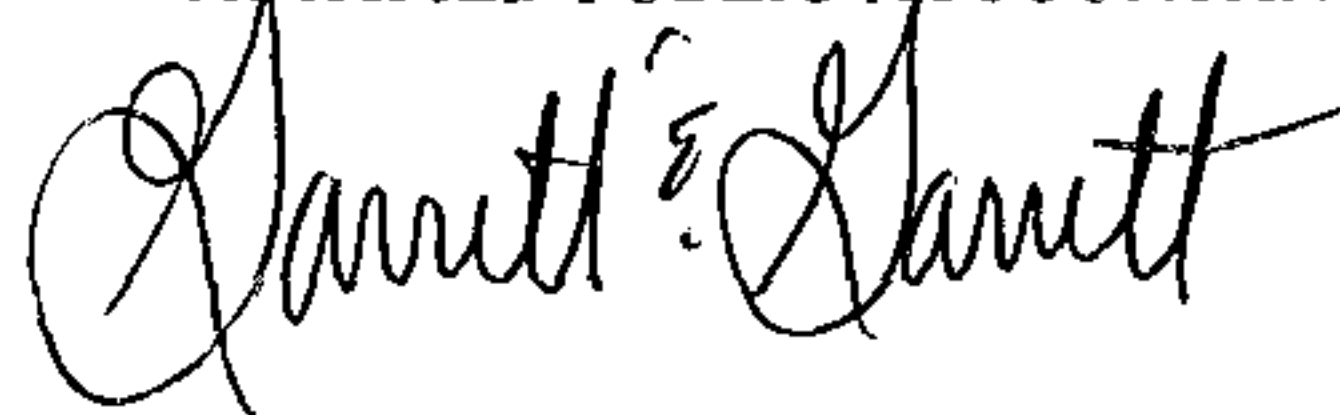
Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not observe inventory in the water and sewer department.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the Town's inventory, the general-purpose financial statements referred above present fairly, in all material respects, the financial position of the Town of Marion, Louisiana, as of December 31, 2001 and 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

The accompanying statements of the cash accounts, schedule of insurance in force and graphs are not required part of the general purpose financial statements and are presented for purposes of additional analysis.

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS

A handwritten signature in black ink, appearing to read 'Garrett & Garrett', is written over the printed name of the firm.

TOWN OF MARION
MARION, LOUISIANA
COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

EXHIBIT A

	GENERAL	CAPITAL PROJECTS	ENTERPRISE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTAL (MEMORANDUM ONLY) PRIMARY GOVERNMENT
ASSETS						
Cash	\$ 127,681.32	\$.00	\$ 162,853.60	\$.00	\$.00	290,534.92
Accounts Receivable (Net of allowances for uncollectables)	2,463.40	.00	15,966.84	.00	.00	18,430.24
Inventory	.00	.00	2,000.00	.00	.00	2,000.00
Accrued Interest Receivable	.00	.00	281.00	.00	.00	281.00
Restricted Assets						
Investments at Cost or Amortized Cost	.00	.00	16,669.71	.00	.00	16,669.71
Resources to be Provided in Future Years	.00	.00	.00	.00	56,740.79	56,740.79
Land	.00	.00	11,900.00	5,725.00	.00	17,625.00
Construction in Progress LCDBG - Sewer	.00	.00	7,875.00	.00	.00	7,875.00
Buildings	.00	.00	.00	28,000.00	.00	28,000.00
Improvements Other Than Buildings	.00	.00	.00	102,564.00	.00	102,564.00
Equipment	.00	.00	1,326,120.56	139,150.76	.00	1,465,271.32
Accumulated Depreciation	.00	.00	(659,693.00)	.00	.00	(659,693.00)
TOTAL ASSETS AND OTHER DEBITS	\$ 130,144.72	\$.00	\$ 883,973.71	\$ 275,439.76	\$ 56,740.79	\$ 1,346,298.98
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Vouchers Payable	\$ 6,581.89	.00	2,781.30	.00	.00	9,363.19
Accrued Liabilities	4,695.02	.00	2,883.09	.00	.00	7,578.11
Payable for Customer's Deposit	.00	.00	11,200.00	.00	.00	11,200.00
Notes Payable	.00	.00	.00	.00	56,740.79	56,740.79
TOTAL LIABILITIES	\$ 11,276.91	\$.00	\$ 16,864.39	\$.00	\$ 56,740.79	\$ 84,882.09
EQUITY AND OTHER CREDITS						
Contributed Capital	.00	.00	406,973.19	.00	.00	406,973.19
Investment in General Fixed Assets	.00	.00	.00	275,439.76	.00	275,439.76
Reserve	.00	.00	.00	.00	.00	.00
Unreserved/Undesignated	118,867.81	.00	460,136.13	.00	.00	579,003.94
TOTAL EQUITY AND OTHER CREDITS	\$ 118,867.81	\$.00	\$ 867,109.32	\$ 275,439.76	\$.00	\$ 1,261,416.89
TOTAL LIABILITIES AND EQUITY AND OTHER CREDITS	\$ 130,144.72	\$.00	\$ 883,973.71	\$ 275,439.76	\$ 56,740.79	\$ 1,346,298.98

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
GENERAL FUND

EXHIBIT B

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2001 AND 2000

<u>REVENUES</u>	<u>2001</u>	<u>2000</u>
Taxes		
Sales	\$ 137,975.48	\$ 134,632.85
Property	27,973.68	29,397.07
Franchise	29,693.66	31,687.06
Licenses and Permits	32,073.15	30,364.89
Intergovernment Revenues	13,389.97	17,151.50
Charges for Services - Garbage	27,250.00	27,905.00
Charges for Services - DOTD	5,145.76	5,120.76
Fines and Forfeits	9,592.50	7,070.00
Police Supplemental Pay	8,700.00	9,320.00
Miscellaneous	1,046.91	3,250.26
Interest Income	3,709.25	2,311.72
Total Revenues	<u>\$ 296,550.36</u>	<u>\$ 298,211.11</u>
<u>EXPENDITURES</u>		
Current		
General and Administrative	\$ 70,612.43	\$ 68,779.25
Police Department	126,147.39	106,534.80
Fire Department	11,410.55	13,358.31
Street Department	33,968.86	25,976.37
Garbage Department	25,080.61	18,507.48
Parks Department	1,670.01	1,630.12
Total Expenditures	<u>\$ 268,889.85</u>	<u>\$ 234,786.33</u>
<u>EXCESS OF REVENUE OVER (UNDER)</u>		
<u>EXPENDITURES</u>	<u>\$ 27,660.51</u>	<u>\$ 63,424.78</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers to Water and Sewer Department	<u>\$.00</u>	<u>\$.00</u>
<u>PAYMENTS FOR ACQUISITION OF CAPITAL ASSETS</u>	<u>\$ 32,675.33</u>	<u>\$ 6,963.09</u>
<u>PAYMENTS TO LONG-TERM DEBT</u>		
Police Department	\$ 96.44	\$ 656.66
Fire Department	17,641.60	17,616.60
Total Payments to Long-Term Debt	<u>\$ 17,738.04</u>	<u>\$ 18,273.26</u>
<u>GRANTS AND GOVERNMENT PROGRAMS</u>	<u>\$ 31,112.73</u>	<u>\$ 33,285.68</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER</u> <u>(UNDER) EXPENDITURES AND OTHER (USES)</u>	<u>\$ 8,359.87</u>	<u>\$ 71,474.11</u>
<u>FUND BALANCE - UNRESERVED JANUARY 1</u>	<u>110,507.94</u>	<u>39,033.83</u>
<u>FUND BALANCE - UNRESERVED DECEMBER 31</u>	<u>\$ 118,867.81</u>	<u>\$ 110,507.94</u>
See accompanying notes and auditors' report.		

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND

EXHIBIT C

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 83,437.93	\$ 89,584.88
Sales Tax Collected	91,542.47	91,275.40
Miscellaneous	.00	395.60
Total Operating Revenues	\$ 174,980.40	\$ 181,255.88
<u>OPERATING EXPENSES</u>		
Cost of Sales and Services	\$ 105,292.10	\$ 133,271.58
Administrative	34,187.92	28,859.76
Depreciation	59,194.67	57,266.07
Total Operating Expenses	\$ 198,674.69	\$ 219,397.41
<u>OPERATING INCOME (LOSS)</u>	\$ (23,694.29)	\$ (38,141.53)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 7,927.08	\$ 7,701.19
Interest Expense & Fiscal Charges	.00	.00
Total Non-operating Revenues (Expenses)	\$ 7,927.08	\$ 7,701.19
<u>NET INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	\$ (15,767.21)	\$ (30,440.34)
<u>TRANSFER TO/FROM OTHER FUNDS</u>	.00	.00
<u>NET INCOME (LOSS) BEFORE NON-OPERATING ADDITIONS (DEDUCTIONS)</u>	\$ (15,767.21)	\$ (30,440.34)
Add Back Depreciation on Assets Acquired with Capital Grants	29,413.89	29,413.89
<u>NET INCOME (LOSS)</u>	\$ 13,646.68	\$ (1,026.45)
<u>RETAINED EARNINGS - UNRESERVED JANUARY 1</u>	446,489.45	447,515.90
<u>RETAINED EARNINGS - UNRESERVED DECEMBER 31</u>	\$ 460,136.13	\$ 446,489.45

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Marion was incorporated 1909, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Marion conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Government Units (Revised). The following is a summary of certain significant accounting policies.

Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Town executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibilities.

Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Government Funds Types

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund Types

Enterprise Fund - The Water Works and Sewer System Fund is used to account for the operations of the Water and Sewer Utility Enterprise Fund. Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is followed by all governmental funds (General Fund, Capital Projects Funds, Special Revenue Funds, Debt Service Funds), and expendable Trust Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Ad valorem taxes are considered "measurable" at the time of levy and are recognized as revenue at that time. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria is met.

Charges for general governmental services, fines and penalties, and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Taxes, charges for services, and investment earnings are recorded as earned since they are measurable and available.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water Works and Sewer System Fund utility service receivables are recorded at year end.

Budgets and Budgetary Accounting

The Mayor and Council Members follow these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to December 31, the Town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. Budgetary Control is exercised at the departmental level.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) During either month of November or December the budget is legally enacted through passage of an ordinance.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund, if any.
- (5) Budgets are for the General, Debt Service, and Special Revenue Funds are adopted on a basis of cash receipts and cash disbursements which is a variance with generally accepted accounting principles. Conversions to GAAP basis are made at close of year.
- (6) Appropriations lapse at the end of each fiscal year.
- (7) The Mayor and Council Members may authorize supplemental appropriations during the year. Supplemental appropriations were made during the fiscal year.

Investments

Louisiana Statutes permit the Town to invest in United State bonds, treasury notes, or certificates. Investments are stated at cost or amortized cost, which approximates market.

Inventories

Inventory held by the Water Works and Sewer System Fund is carried at the lower of cost (first-in, first-out) or market. Inventory acquisitions in the General Fund are recorded in expense accounts initially and charged as current assets when not used at the end of the fiscal year. Minimum amounts of inventory are not maintained, therefore, equity reserves for inventory have not been established. The cost value of inventories in the General Fund were of an immaterial amount at the close of the fiscal year.

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending of "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Fixed assets used in governmental fund type operations (generally fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such assets are normally immovable and of value only to the Town. Therefore, the purpose of stewardship for these items is satisfied without recording of these assets. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term general obligations expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

The two account groups are not "funds." They are concerned only with the measurement of financial position, and are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations.

Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Utility Plant/Sewer Collection System	5 - 40 Years
Machinery & Equipment	3 - 10 Years

Restricted Assets

These assets consist of cash and cash equivalents restricted for the customer water deposits.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Compensated Absences

Town employees are entitled to ten days vacation time per year. Forty hours are vested after six months of employment. Sick time is accrued at the same rate. Any vacation time is paid at the termination of employment, while sick time is not guaranteed. Unpaid vacation time has been recorded as an accrued payable, while sick time has not. The Town also allows employees to take compensation time for hours worked. This time has been recorded as an accrued payable.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overviews are captioned Memorandum Only to indicated that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations, if any, have not been made in the aggregation of this data.

NOTE # 2 - CASH

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principle offices in Louisiana.

At December 31, 2001, the Town has cash totaling \$307,204.63, as follows:

Cash in Checking or On Hand	\$ 93,558.09
Certificates of Deposits	196,976.83
Restricted Assets (Cash)	<u>16,669.71</u>
Total	<u>\$ 307,204.63</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These securities are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties. The State of Louisiana banking regulations require the FDIC to insure \$100,000 of checking and \$100,000 of savings for each municipality. Cash and cash equivalents (bank balances) at December 31, 2001, are secured as follows:

Bank Balances	<u>\$ 306,954.63</u>
Federal Deposit Insurance	\$ 196,670.46
Pledge Securities	<u>110,284.17</u>
Total	<u>\$ 306,954.63</u>

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 2 - CASH CONTINUED

Pledge Securities are actually \$260,000, but the amount needed above the FDIC requirement is only \$110,284.17.

NOTE # 3 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Tax notices are usually mailed during November each year and become delinquent after December 31, of the year.

For the Year Ended December 31, 2001, taxes of 6.22 mills were levied on property with assessed valuations totaling \$4,794,284.00 and were dedicated as follows:

General Fund	6.22 Mills
--------------	------------

Total taxes levied in 2001 were \$29,820.39.

NOTE # 4 - RECEIVABLES

A summary of receivables as of December 31, 2001, follows:

General Fund	
Property Taxes	\$ 1,699.35
Beer Taxes	<u>764.05</u>
Total General Fund	\$ 2,463.40
Enterprise Fund Water/Sewerage	
Trade Accounts	\$ 18,091.97
Allowance for Doubtful Accounts	<u>2,125.13</u>
Total Enterprise Fund Water/Sewerage	\$ 15,966.84
Total All Funds	<u><u>\$ 18,430.24</u></u>

Aged Accounts Receivable Water Customers:

<u>TOTAL</u>	<u>CURRENT</u>	<u>DAYS</u> <u>30 - 60</u>	<u>DAYS</u> <u>60 - 90</u>	<u>DAYS</u> <u>OVER 90</u>
\$ 18,091.97	\$ 12,682.20	\$ 2,128.09	\$ 1,794.05	\$ 1,487.63

NOTE # 5 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for Doubtful Accounts for the Proprietary Fund - Water/Sewer Receivable Accounts is based on the collectibility of outstanding receivables.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 6 - RESTRICTED ASSETS - WATER/SEWER

These assets consist of cash restricted for the Water Meter Deposits.

Customers' Deposits on Meters	\$ 16,669.71
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The liability for customer's deposits on meters is \$11,200.00. The Town has over funded this restricted assets by \$5,469.71.

NOTE # 7 - CHANGES IN CAPITAL ASSETS

A summary of changes in general fixed assets follows:

	<u>BALANCE</u> <u>01/01/01</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/01</u>
Land	\$ 5,725.00	\$.00	\$.00	\$ 5,725.00
Buildings	41,567.69	.00	13,567.69	28,000.00
Other Improvements	102,564.00	.00	.00	102,564.00
Equipment	<u>329,078.89</u>	<u>43,140.87</u>	<u>234,569.89</u>	<u>137,649.87</u>
 Total General Fixed Assets	 <u>\$ 478,935.58</u>	 <u>\$ 43,140.87</u>	 <u>\$ 248,137.58</u>	 <u>\$ 273,938.87</u>

The deletions are due to the fire department building fire on March 23, 2002. (See Note # 11)

A summary of propriety fund type property, land and equipment at December 31, 2001:

Land	\$ 11,900.00
Building Improvement	15,000.00
Water	1,026,432.68
Sewer Treatment System	193,101.27
Vehicles and Equipment	<u>91,586.61</u>
Total	\$ 1,338,020.56
Less Accumulated Depreciation	<u>659,693.00</u>
Net	<u>\$ 678,327.56</u>

NOTE # 8 - PAYMENTS FOR ACQUISITION OF CAPITAL ASSETS

	<u>2001</u>	<u>2000</u>
General and Administrative	\$ 3,306.00	\$ 2,063.41
Police Department	23,945.00	2,698.79
Fire Department	2,942.76	1,500.89
Street Department	<u>828.39</u>	<u>700.00</u>
Total Payments for Acquisition of Capital Assets	<u>\$ 31,022.15</u>	<u>\$ 6,963.09</u>

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 9 - CHANGES IN LONG-TERM DEBT

Notes payable at December 31, 2001 are comprised of the following individual issues:

1. Bank One - Loan on Fire Truck
Original Note: \$100,000
Date: December 20, 1996
Interest: Variable (at present 6.15%)
Monthly Payment: \$1,468.05

Total interest and principal paid in 2001 were \$2,589.34 and \$15,052.26, respectively.

YEAR ENDING 12/31	Principal	INTEREST	TOTAL PAYMENTS
2002	\$ 32,795.49	\$ 2,413.85	\$ 35,209.34
2003	.00	.00	.00
2004	.00	.00	.00
2005	.00	.00	.00
2006	.00	.00	.00
	<u>\$ 32,795.49</u>	<u>\$ 2,413.85</u>	<u>\$ 35,209.34</u>

2. Regions Leasing

The Town entered into a financing lease with Regions Leasing on November 12, 2001 for a maximum amount of \$150,000. The interest rate at the present time is 5%. The lease was used to buy a new police car in the amount of \$23,945 and a new garbage truck costing \$75,954.16. The garbage truck has not been delivered as of the date of this report. If the total of \$150,000 is spent, the lease term is 60 months, the periodic rentals will be \$2,831.25 and the interest rate will be 6.75%.

The Town received a \$15,000 Rural Development Grant to pay for the police car. Their intent was to finance the difference in the grant and the total amount of the police car. Regions has refused to apply the \$15,000 to the lease. The bank's excuse for not posting this payment is the fact that the lease has not been closed out due to the delay in the delivery of the garbage truck. The bank cashed the check in December and does not intend to pay interest on this payment, nor reduce the amount of interest that is charged on this loan. The bank officer Gary Perkins offered to return the check when we contacted him in May.

NOTE # 10 - CONTINGENCIES - GAIL DURBIN

In prior years the former Town Clerk, Gail Durbin, stole property from the Town of Marion. She was ordered by the court to pay the Town back. She paid the Town only 7 payments in 2001 totaling \$675. The payment she is making at the end of 2001 is only \$50 a month. The balance owed to the Town at the end of the year is \$58,950. It will take over 98 years to collect the money owed to the Town.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 10 - CONTINGENCIES - GAIL DURBIN CONTINUED

The Town had insurance to cover part of the above theft. Their insurance company has refused to pay this claim. The Town filed a lawsuit against the insurance company in 2001.

NOTE # 11 - OTHER CONTINGENCIES AND SUBSEQUENT EVENTS

On March 23, 2002 the Fire Department burned down. The fire destroyed three fire trucks, the building, plus two personal cars and a police car from the Town of Ringgold. The Town paid \$1,600 for one car and the personal insurance deductible of \$100 on the second car. Farm Bureau wants the Town to pay for the cost of the second car. The Town's attorney, Harold Aswell, does not think Farm Bureau can collect from the Town for the damage to the second car. The attorney does not anticipate any cost involving the police car from Ringgold.

The insurance settlement is \$85,000 less a \$10,000 deductible. The insurance company paid off the note balance from Bank One of \$26,327.64 in May 2002. The Town received \$48,672.36. The General Fixed Assets do not include the equipment that was destroyed in the fire.

NOTE # 12 - OTHER CONTINGENCIES - ECONOMIC IMPACT

A major presence in the Town of Marion is CenturyTel, Inc.. CenturyTel, Inc. is a telephone company that operates in several states and is on the New York Stock Exchange. The company has their collections office in Marion and employs 51 people at that office. The company's 2001 utility bill is approximately \$8,100 a year, sales tax is \$12,000 and property tax is \$4,121.

We were concerned that if the company closes its office in Marion, it may have a spiral down effect with the Town and the two banks in the Town.

The company's founder and chairman of the board has family ties to the Town. He died on June 5, 2002.

We talked to one of the vice presidents in the Monroe office and he indicated that CenturyTel has no plans to close the Marion office in the near future. The Monroe office employs a number of people from Union Parish, including the CEO.

NOTE # 13 - COMPENSATION MAYOR AND BOARD

Schedule of Compensation Paid to the Mayor and Aldermen/Women
For the Year Ended December 31, 2001

Mayor Kenneth W. Franklin	\$ 6,000.00
P. O. Box 405	
Marion, LA 71260	
318 292-4485	

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 13 - COMPENSATION MAYOR AND BOARD CONTINUED

Alderman George Futch P. O. Box 152 Marion, LA 71260 318 292-5500	1,200.00
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Alderman Johnny B. Gilliam P. O. Box 408 Marion, LA 71260 318 292-5550	1,200.00
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Alderman Charles M. McCartney 1789 Thomas Street Marion, LA 71260 318 292-4212	1,200.00
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Alderwoman Ann D. Miller 1042 Main Street Marion, LA 71260 318 292-5405	1,200.00
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Alderman Eugene "Bubba" Hoggatt P. O. Box 376 Marion, LA 71260 318 292-5419	\$ 1,200.00
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NOTE # 14 - MARION VOLUNTEER FIRE DEPARTMENT

The Marion Volunteer Fire Department covers the Marion Fire District of Union Parish, with the majority of the fire district being in the rural area. The expenditures of the fire department are funded by an annual fire insurance rebate, which is included in the transactions of the General Fund. The Volunteer Fire Department has a separate tax identification number for a non-profit corporation. According to the Mayor, the purpose of this non-profit corporation is to provide equipment and other support to the Town's Volunteer Fire Department. Revenue is received from interest, dues, donations and gross proceeds from the Marion Mayhaw Festival. We have not audited or reviewed any transactions of the Marion Volunteer Fire Department's separate cash accounts other than those transactions covered by the General Fund financial statements.

NOTE # 15 WATER & SEWER STATISTICS

MONTHLY RATES FOR SERVICES

Water Rates are:

0 - 2,000 Gal.	\$ 5.00
Over 2,000 Gal.	\$ 1.50/1,000 Gal.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 15 WATER & SEWER STATISTICS CONTINUED

Sewer Rates are based on water usage:

Regular and Industry

Customers	0 - 2,000 Gal.	\$ 4.00
Regular Customers	Over 2,000 Gal.	\$ 1/1,000 Gal. Max. \$12
Industry Customers	Over 2,000 Gal.	\$ 1/1,000 Gal. No Max.

Garbage Rates are:

Regular Customers	\$ 5.00 a month
Industry Customers	\$ 40.00, \$140.00, \$300.00 a month

Special Rates are:

2 Residence on One Meter

Water	0 - 2,000 Gal.	\$ 10.00
	Over 2,000 Gal.	\$ 1.50/1,000 Gal.
Sewer	0 - 2,000 Gal.	\$ 8.00
	Over 2,000 Gal.	\$ 1.00/1,000 Gal.

Sales Tax is charged at 4% of all water charges, except government owned entities. Late charges are charged at 5% of the total monthly bill.

ESTIMATED USAGE

The estimated gallons of water sold during 2001 was 22,300,888 gallons for 416 customers. The population of Marion is 806.

NOTE # 16 - PENSION COST

During 2001, the total contributions paid to the Louisiana Police Retirement Program is \$4,541.89.

The Town started a SIMPLE IRA plan for the full time employees, including the mayor, that did not participate in the Police Retirement Program. The total payments to the plan is \$4,937.56.

NOTE # 17 - GRANTS AND GOVERNMENT PROGRAMS

The Town received \$15,000 from a Community Development Grant. The grant paid for a new police car.

The Town also received money from the U. S. Department of Justice for a Cops Grant. The grant pays a portion of the payroll, education and other expenditures for new police officers. The grant reimbursed the Town \$14,406.15.

The state of Louisiana initiated reimbursement programs for police officer's time worked on summer holidays. The reimbursement was \$1,706.58.

TOWN OF MARION
MARION, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE # 17 - GRANTS AND GOVERNMENT PROGRAMS CONTINUED

In 2000, the Town received approval from L.C.D.B.G. for a sewer improvement grant for \$450,000. The project was due to start in 2001, but has been delayed. We talked to the Town's administrative consultant about this project. He told us the project should start the bidding process in July 2002. By that time all the right-of-ways should be received. The Town paid \$7,875 out of the sewer department for administrative fees on this project, as well as engineering fees of \$28,060 that were reimbursed by L.C.D.B.G.

Due to the loss of the fire department in March 2002, the Town requested and is to receive from the Governor's Office of Rural Development \$26,386.55.

The Town also has requested of Capital Outlay, funding in the amount of \$255,360 and a FEMA grant for \$228,252. The Town will have to match the FEMA grant with \$25,139 from their operations. This funding has not been approved as of the audit report date.

NOTE # 18 - 2002 BUDGET

WATER & SEWER

Revenue	\$ 201,000
Expense	<u>196,000</u>
Net Income	<u>\$ 5,000</u>

GENERAL FUND

Revenue	\$ 291,895
Expenses	
General Administration	\$ 77,400
Police	119,000
Fire	27,750
Street	25,000
Garbage	40,250
Parks	<u>1,850</u>
Total Expenses	<u>\$ 291,250</u>
Net Income	<u>\$ 645</u>

**FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS**

GENERAL FUND

TOWN OF MARION
MARION, LOUISIANA
GENERAL FUND
BALANCE SHEETS
DECEMBER 31, 2001 AND 2000

STATEMENT A-1

	<u>2001</u>	<u>2000</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 127,681.32	\$ 111,233.74
Accounts Receivable	<u>2,463.40</u>	<u>7,464.87</u>
<u>TOTAL ASSETS</u>	<u>\$ 130,144.72</u>	<u>\$ 118,698.61</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Vouchers Payable	\$ 6,581.89	\$ 5,387.87
Accrued Liabilities	<u>4,695.02</u>	<u>2,802.80</u>
Total Current Liabilities	<u>\$ 11,276.91</u>	<u>\$ 8,190.67</u>
 <u>EQUITY</u>		
Unreserved	<u>\$ 118,867.81</u>	<u>\$ 110,507.94</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 130,144.72</u>	<u>\$ 118,698.61</u>

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
GENERAL FUND

STATEMENT A-2

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2001 AND 2000

<u>REVENUES</u>	<u>2001</u>	<u>2000</u>
Taxes		
Sales	\$ 137,975.48	\$ 134,632.85
Property	27,973.68	29,397.07
Franchise	29,693.66	31,687.06
Licenses and Permits	32,073.15	30,364.89
Intergovernment Revenues	13,389.97	17,151.50
Charges for Services - Garbage	27,250.00	27,905.00
Charges for Services - DOTD	5,145.76	5,120.76
Fines and Forfeits	9,592.50	7,070.00
Police Supplemental Pay	8,700.00	9,320.00
Miscellaneous	1,046.91	3,250.26
Interest Income	3,709.25	2,311.72
Total Revenues	<u>\$ 296,550.36</u>	<u>\$ 298,211.11</u>
<u>EXPENDITURES</u>		
Current		
General and Administrative	\$ 70,612.43	\$ 68,779.25
Police Department	126,147.39	106,534.80
Fire Department	11,410.55	13,358.31
Street Department	33,968.86	25,976.37
Garbage Department	25,080.61	18,507.48
Parks Department	1,670.01	1,630.12
Total Expenditures	<u>\$ 268,889.85</u>	<u>\$ 234,786.33</u>
<u>EXCESS OF REVENUE OVER (UNDER)</u>		
<u>EXPENDITURES</u>	<u>\$ 27,660.51</u>	<u>\$ 63,424.78</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers to Water and Sewer Department	<u>\$.00</u>	<u>\$.00</u>
<u>PAYMENTS FOR ACQUISITION OF CAPITAL ASSETS</u>	<u>\$ 32,675.33</u>	<u>\$ 6,963.09</u>
<u>PAYMENTS TO LONG-TERM DEBT</u>		
Police Department	\$ 96.44	\$ 656.66
Fire Department	17,641.60	17,616.60
Total Payments to Long-Term Debt	<u>\$ 17,738.04</u>	<u>\$ 18,273.26</u>
<u>GRANTS AND GOVERNMENT PROGRAMS</u>	<u>\$ 31,112.73</u>	<u>\$ 33,285.68</u>
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</u>	<u>\$ 8,359.87</u>	<u>\$ 71,474.11</u>
<u>FUND BALANCE - UNRESERVED JANUARY 1</u>	<u>110,507.94</u>	<u>39,033.83</u>
<u>FUND BALANCE - UNRESERVED DECEMBER 31</u>	<u>\$ 118,867.81</u>	<u>\$ 110,507.94</u>

See accompanying notes and auditors' report.

STATEMENT A-3

TOWN OF MARION
MARION, LOUISIANA
GENERAL FUNDSTATEMENT OF REVENUES, EXPENDITURES - BUDGET (GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

	ORIGINAL BUDGET	AMENDED NOVEMBER 13, 2001 BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUE</u>				
Total Revenues	\$ 260,995.00	\$ 284,555.00	\$ 296,550.36	\$ 11,995.36
<u>EXPENDITURES</u>				
Current				
General and Administrative	\$ 67,850.00	\$ 71,538.00	\$ 70,612.43	\$ 925.57
Police Department	103,125.00	111,850.00	126,147.39	(14,297.39)
Fire Department	8,573.00	10,600.00	11,410.55	(810.55)
Street Department	31,650.00	35,520.00	33,968.86	1,551.14
Garbage Department	18,800.00	25,400.00	25,080.61	319.39
Parks Department	1,760.00	1,810.00	1,670.01	139.99
Total Expenditures	\$ 231,758.00	\$ 256,718.00	\$ 268,889.85	\$ (12,171.85)
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u>	\$ 29,237.00	\$ 27,837.00	\$ 27,660.51	\$ (176.49)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In				
Water and Sewer	\$.00	\$.00	\$.00	\$.00
Department				
<u>PAYMENTS FOR ACQUISITION OF CAPITAL ASSETS</u>	\$ 31,000.00	\$ 29,600.00	\$ 32,675.33	\$ (3,075.33)
<u>PAYMENTS TO LONG-TERM DEBT</u>	\$ 25,000.00	\$ 20,000.00	\$ 17,738.04	2,261.96
<u>GRANTS AND GOVERNMENT PROGRAMS</u>	\$ 28,400.00	\$ 25,000.00	\$ 31,112.73	\$ 6,112.73
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) BEFORE EXTRAORDINARY ITEM</u>	\$ 1,637.00	\$ 3,237.00	\$ 8,359.87	\$ 5,122.87

See accompanying notes and auditors' report.

CAPITAL PROJECTS FUND

TOWN OF MARION
MARION, LOUISIANA
CAPITAL PROJECTS - (LCDBG - SEWER)
BALANCE SHEETS
DECEMBER 31, AND 2000

STATEMENT B-1

	<u>2001</u>	<u>2000</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	\$.00	\$.00
Accounts Receivable	<u>.00</u>	<u>.00</u>
<u>TOTAL ASSETS</u>	<u>\$.00</u>	<u>\$.00</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Vouchers Payable	\$.00	\$.00
Accrued Liabilities	<u>.00</u>	<u>.00</u>
Total Current Liabilities	<u>\$.00</u>	<u>\$.00</u>
 <u>EQUITY</u>		
Unreserved	<u>\$.00</u>	<u>\$.00</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$.00</u>	<u>\$.00</u>

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
CAPITAL PROJECTS (LCDBG - SEWER)
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<u>REVENUES</u>		
Grant Income	\$ 28,060.00	\$.00
Total Revenues	\$ 28,060.00	\$.00
<u>EXPENDITURES</u>		
Current		
Administrative Fees	\$.00	\$.00
Engineering Fees	28,060.00	.00
Total Expenditures	\$ 28,060.00	\$.00
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u>	\$.00	\$.00
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfer from Water and Sewer Department	.00	.00
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</u>	\$.00	\$.00
<u>FUND BALANCE - UNRESERVED JANUARY 1</u>	\$.00	\$.00
<u>FUND BALANCE - UNRESERVED DECEMBER 31</u>	\$.00	\$.00

See accompanying notes and auditors' report.

ENTERPRISE FUND

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND
BALANCE SHEETS
DECEMBER 31, 2001 AND 2000

ASSETS	2001	2000	LIABILITIES AND EQUITY	2001	2000
<u>CURRENT ASSETS</u>			<u>CURRENT LIABILITIES</u>		
Cash	\$ 162,853.60	\$ 127,200.34	Vouchers Payable	\$ 2,781.30	\$ 3,816.21
Accounts Receivable (Net of Allowance for Uncollectables)	15,966.84	16,569.95	Other Accrued Expenses	2,883.09	1,167.95
Inventory	2,000.00	3,040.00	Payable for Customer's Deposit	11,200.00	10,865.00
Accrued Interest Receivable	281.00	247.47	Total Current Liabilities	\$ 16,864.39	\$ 15,849.16
Total Current Assets	\$ 181,101.44	\$ 147,057.76			
<u>RESTRICTED ASSETS</u>			<u>EQUITY</u>		
Meter Deposit - Checking	\$ 3,362.37	\$ 3,095.43	Contributed Capital	\$ 406,973.19	\$ 436,387.08
Meter Deposit - Savings	13,307.34	12,550.43			
Total Restricted Assets	\$ 16,669.71	\$ 15,645.86	<u>RETAINED EARNINGS</u>		
			Unreserved	\$ 460,136.13	\$ 446,489.45
<u>FIXED ASSETS</u>			Reserved	.00	.00
Property, Machinery and Equipment	\$ 1,326,120.56	\$ 1,324,620.40	Total Retained Earnings	\$ 460,136.13	\$ 446,489.45
Less: Accumulated Depreciation	659,693.00	600,498.33			
Net Property, Machinery and Equipment	\$ 666,427.56	\$ 724,122.07	<u>TOTAL EQUITY</u>	\$ 867,109.32	\$ 882,876.53
Land	11,900.00	11,900.00			
Construction in Progress - LCDBG Sewer	7,875.00	.00			
Total Fixed Assets	\$ 686,202.56	\$ 736,022.07			
<u>TOTAL ASSETS</u>	\$ 883,973.71	\$ 898,725.69	<u>TOTAL LIABILITIES AND EQUITY</u>	\$ 883,973.71	\$ 898,725.69

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND
STATEMENT C-2

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2001 AND 2000

	SEWER	WATER	2001	2000
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 29,335.56	\$ 54,102.37	\$ 83,437.93	\$ 89,584.88
Sales Tax Collected	.00	91,542.47	91,542.47	91,275.40
Miscellaneous	.00	.00	.00	395.60
Total Operating Revenues	\$ 29,335.56	\$ 145,644.84	\$ 174,980.40	\$ 181,255.88
<u>OPERATING EXPENSES</u>				
Cost of Sales and Services	\$ 33,291.21	\$ 72,000.89	\$ 105,292.10	\$ 133,271.58
Administrative	10,951.72	23,236.20	34,187.92	28,859.76
Depreciation	5,670.55	53,524.12	59,194.67	57,266.07
Total Operating Expenses	\$ 49,913.48	\$ 148,761.21	\$ 198,674.69	\$ 219,397.41
<u>OPERATING INCOME (LOSS)</u>	\$ (20,577.92)	\$ (3,116.37)	\$ (23,694.29)	\$ (38,141.53)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income	.00	\$ 7,927.08	\$ 7,927.08	\$ 7,701.19
Interest Expense & Fiscal Charges	.00	.00	.00	.00
Total Non-operating Revenues (Expenses)	.00	\$ 7,927.08	\$ 7,927.08	\$ 7,701.19
<u>NET INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	\$ (20,577.92)	\$ 4,810.71	\$ (15,767.21)	\$ (30,440.34)
<u>TRANSFER TO/FROM OTHER FUNDS</u>	.00	.00	.00	.00
<u>NET INCOME (LOSS) BEFORE NON-OPERATING ADDITIONS (DEDUCTIONS)</u>	\$ (20,577.92)	\$ 4,810.71	\$ (15,767.21)	\$ (30,440.34)
Add Back Depreciation on Assets				
Acquired with Capital Grants	240.00	29,173.89	29,413.89	29,413.89
<u>NET INCOME (LOSS)</u>	\$ (20,337.92)	\$ 33,984.60	\$ 13,646.68	\$ (1,026.45)
<u>RETAINED EARNINGS - UNRESERVED JANUARY 1</u>	-	-	446,489.45	447,515.90
<u>RETAINED EARNINGS - UNRESERVED DECEMBER 31</u>	-	-	\$ 460,136.13	\$ 446,489.45

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND

STATEMENT C-3

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS BUDGET (GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

	ORIGINAL BUDGET	BUDGET AMENDED ON NOVEMBER 13, 2001	ACTUAL 2001	VARIANCE FAVORABLE (UNFAVORABLE) FINAL BUDGET
<u>OPERATING REVENUES</u>				
Charges for Services	\$ -	-	\$ 83,437.93	\$ -
Sales Tax Collected	-	-	91,542.47	-
Miscellaneous	-	-	.00	-
Total Operating Revenues	\$ 203,455.00	\$ 194,626.00	\$ 174,980.40	\$ (19,645.60)
<u>OPERATING EXPENSES</u>				
Cost of Sales and Services	\$ -	\$ -	\$ 105,292.10	\$ -
Administrative	-	-	34,187.92	-
Depreciation	-	-	59,194.67	-
Total Operating Expenses	\$ 202,155.00	\$ 175,705.00	\$ 198,674.69	\$ (22,969.69)
<u>OPERATING INCOME (LOSS)</u>	\$ 1,300.00	\$ 18,921.00	\$ (23,694.29)	\$ (42,615.29)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income	\$ 1,200.00	\$ 1,050.00	\$ 7,927.08	\$ 6,877.08
Interest Expense & Fiscal Charges	.00	.00	.00	.00
Total Non-operating Revenues (Expenses)	\$ 1,200.00	\$ 1,050.00	\$ 7,927.08	\$ 6,877.08
<u>NET INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	\$ 2,500.00	\$ 19,971.00	\$ (15,767.21)	\$ (35,738.21)
<u>TRANSFER TO/FROM OTHER FUNDS</u>	.00	.00	.00	.00
<u>NET INCOME (LOSS) BEFORE NON-OPERATING ADDITIONS (DEDUCTIONS)</u>	\$ 2,500.00	\$ 19,971.00	\$ (15,767.21)	\$ (35,738.21)
Add Back Depreciation on Assets Acquired with Capital Grants	.00	.00	29,413.89	29,413.89
<u>NET INCOME (LOSS)</u>	\$ 2,500.00	\$ 19,971.00	\$ 13,646.68	\$ (6,324.32)
<u>RETAINED EARNINGS - UNRESERVED JANUARY 1</u>	446,489.45	446,489.45	446,489.45	
<u>RETAINED EARNINGS - UNRESERVED DECEMBER 31</u>	\$ 448,989.45	\$ 466,460.45	\$ 460,136.13	

See accompanying notes and auditor's report.

Cash Provided (Used) by Operating Activities:

Depreciation	59,194.67	57,266.07
(Increase) Decrease in Accounts Receivable	603.11	(1,074.75)
(Increase) Decrease in Inventory	1,040.00	11,547.00
Increase (Decrease) in Vouchers Payable	(1,034.91)	2,612.04
Increase (Decrease) in Other Accrued Expense	1,715.14	(466.68)
Increase (Decrease) in Customer Deposits	335.00	675.00
	<u>\$ 38,158.72</u>	<u>\$ 32,417.15</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

STATEMENT C-5

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND

SCHEDULES OF DETAIL OF EXPENSES
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>SEWER</u>	<u>WATER</u>	<u>2001</u>	<u>2000</u>
<u>COST OF SALES AND SERVICES</u>				
Salaries	\$ 15,214.48	\$ 30,889.99	\$ 46,104.47	\$ 41,509.13
Payroll Taxes	1,434.39	4,081.94	5,516.33	3,845.93
Repairs and Maintenance Supplies	8,504.77	19,475.18	27,979.95	65,510.73
Sales Taxes	.00	1,815.00	1,815.00	1,958.00
Utilities	3,720.72	6,771.23	10,491.95	8,989.76
Insurance	4,416.85	8,967.55	13,384.40	11,458.03
Total Cost of Sales and Services	<u>\$ 33,291.21</u>	<u>\$ 72,000.89</u>	<u>\$ 105,292.10</u>	<u>\$ 133,271.58</u>
<u>ADMINISTRATIVE</u>				
Salaries	\$ 6,269.83	\$ 12,729.67	\$ 18,999.50	\$ 16,740.00
Bad Debts	.00	2,125.13	2,125.13	750.44
Office and Postage	2,413.30	5,777.42	8,190.72	7,718.41
Miscellaneous	372.67	345.23	717.90	765.41
Accounting and Auditing	1,543.75	1,543.75	3,087.50	2,885.50
Retirement Expense	352.17	715.00	1,067.17	.00
Total Administrative	<u>\$ 10,951.72</u>	<u>\$ 23,236.20</u>	<u>\$ 34,187.92</u>	<u>\$ 28,859.76</u>

STATEMENT C-6

TOWN OF MARION
MARION, LOUISIANA
ENTERPRISE FUND - WATER AND SEWER DEPARTMENT
SCHEDULE OF UTILITY PLANT AND EQUIPMENT
DECEMBER 31, 2001

	ACQUIRED	LIFE	COST	DEPRECIATION	NET	CURRENT DEPRECIATION
<u>BUILDINGS AND IMPROVEMENTS</u>		39	\$ 15,000.00	\$ 1,346.17	\$ 13,653.83	\$ 384.62
<u>IMPROVEMENTS OTHER THAN BUILDING</u>						
Water System		5 - 40	\$ 705,712.68	\$ 318,756.50	\$ 386,956.18	\$ 30,651.99
Storage Tanks		20 - 40	320,720.00	179,150.30	141,569.70	14,771.79
Sewer System		20 - 40	193,101.27	109,810.69	83,290.58	4,947.53
Total			\$ 1,219,533.95	\$ 607,717.49	\$ 611,816.46	\$ 50,371.31
<u>MACHINERY AND EQUIPMENT</u>						
Equipment		3 - 10	\$ 54,571.99	\$ 44,033.89	\$ 10,538.10	\$ 4,016.77
HP Computer Printer	09/07/00	5	949.99	285.00	664.99	190.00
Furniture	10/18/00	5	749.97	225.00	524.97	150.00
Ranger Welder	11/15/00	5	2,640.00	792.00	1,848.00	528.00
460 Case Trencher	07/26/00	10	27,559.42	4,133.91	23,425.51	2,755.94
Jetter	01/14/00	5	3,615.08	1,084.53	2,530.55	723.02
Small Shed	05/25/01	10	870.20	43.51	826.69	43.51
Computer Desk	07/19/01	10	629.96	31.50	598.46	31.50
Total			\$ 91,586.61	\$ 50,629.34	\$ 40,957.27	\$ 8,438.74
<u>LAND</u>			\$ 11,900.00	\$.00	\$ 11,900.00	\$.00
<u>GRAND TOTAL</u>			\$ 1,338,020.56	\$ 659,693.00	\$ 678,327.56	\$ 59,194.67

See accompanying notes and auditors' report.

GENERAL FIXED ASSETS ACCOUNT GROUP

TOWN OF MARION
MARION, LOUISIANA
SCHEDULES OF GENERAL FIXED ASSETS BY SOURCE
DECEMBER 31, 2001 AND 2000

STATEMENT D-1

	<u>2001</u>	<u>2000</u>
<u>GENERAL FIXED ASSETS</u>		
Land	\$ 5,725.00	\$ 5,725.00
Building	28,000.00	41,567.69
Improvements Other Than Building	102,564.00	102,564.00
Machinery and Equipment	<u>139,150.76</u>	<u>329,078.89</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$ 275,439.76</u>	<u>\$ 478,935.58</u>
 <u>INVESTMENT IN GENERAL FIXED ASSETS</u> <u>BY SOURCE</u>		
General Fund	\$ 184,551.57	\$ 382,453.39
Federal Grants	9,619.00	9,619.00
State Grants	<u>81,269.19</u>	<u>86,863.19</u>
<u>TOTAL INVESTMENT IN GENERAL FIXED ASSETS</u> <u>BY SOURCE</u>	<u>\$ 275,439.76</u>	<u>\$ 478,935.58</u>

See accompanying notes and auditors' report.

STATEMENT D-2

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

	<u>LAND</u>	<u>BUILDING</u>	<u>IMPROVEMENTS OTHER THAN BUILDING</u>	<u>MACHINERY AND EQUIPMENT</u>
<u>GENERAL FIXED ASSETS</u> January 1, 2001	\$ 5,725.00	\$ 41,567.69	\$ 102,564.00	\$ 329,078.89
<u>ADDITIONS</u>	.00	.00	.00	43,140.87
<u>DEDUCTIONS</u> Assets Sold and Retired	.00	13,567.69	.00	233,069.00
<u>GENERAL FIXED ASSETS</u> <u>DECEMBER 31, 2001</u>	<u>\$ 5,725.00</u>	<u>\$ 28,000.00</u>	<u>\$ 102,564.00</u>	<u>\$ 139,150.76</u>

GENERAL LONG-TERM DEBT

TOWN OF MARION
MARION, LOUISIANA
GENERAL LONG-TERM DEBT
BALANCE SHEETS
DECEMBER 31, 2001 AND 2000

STATEMENT E-1

	REGIONS LEASING	BANK ONE FIRE TRUCK	2001	2000
RESOURCES TO BE PROVIDED IN FUTURE YEARS				
General Fund	\$ 23,945.00	\$ 32,795.49	\$ 56,740.79	\$ 47,847.75
TOTAL AVAILABLE AND TO BE PROVIDED	\$ 23,945.00	\$ 32,795.49	\$ 56,740.79	\$ 47,847.75
GENERAL LONG-TERM DEBT PAYABLE	\$ 23,945.00	\$ 32,795.49	\$ 56,740.79	\$ 47,847.75
TOTAL GENERAL LONG-TERM DEBT PAYABLE	\$ 23,945.00	\$ 32,795.49	\$ 56,740.79	\$ 48,847.75

(See Note # 11)

See accompanying notes and auditors' report.

COMMENTS ON COMPLIANCE AND INTERNAL CONTROL

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS
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WEST MONROE, LOUISIANA 71291

CAROLYN V. GARRETT
JUDY D. GARRETT

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June 10, 2002

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Kenneth W. Franklin, Mayor
and Members of the Board of Alderman

We have audited the financial statements of the Town of Marion, Louisiana as of and for the year ended December 31, 2001, and have issued our report thereon dated June 10, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

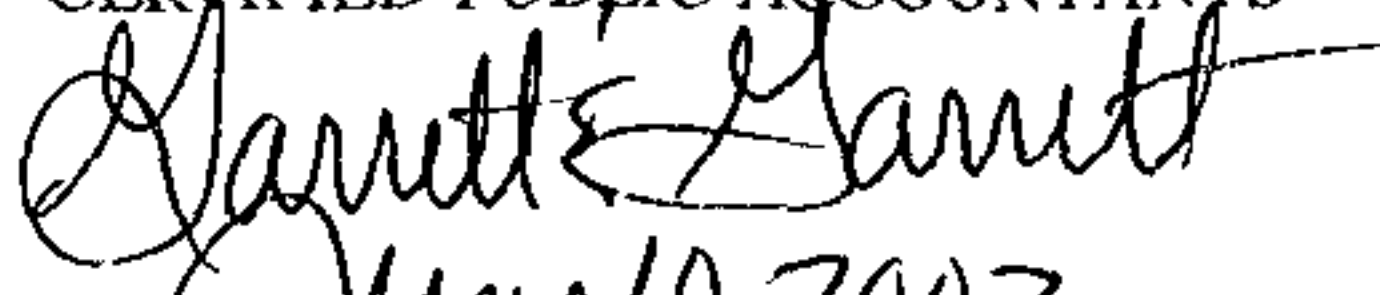
As part of obtaining reasonable assurance about whether the Town of Marion, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Marion, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS


Date June 10, 2002

GARRETT & GARRETT
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June 10, 2002

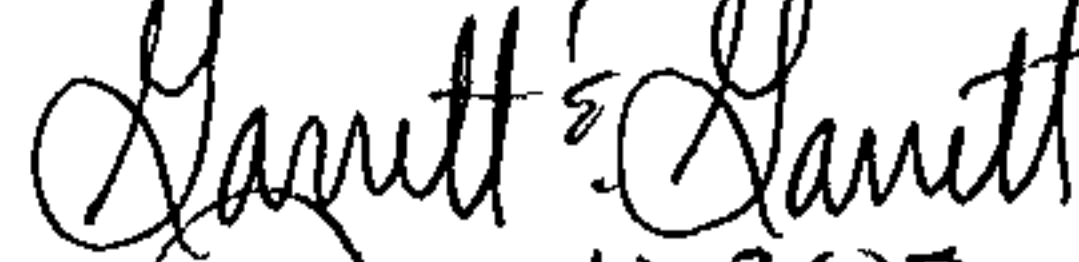
INDEPENDENT AUDITORS' REPORT ON LOUISIANA
SYSTEMS SURVEY AND COMPLIANCE QUESTIONNAIRE

The Honorable Kenneth W. Franklin, Mayor
and Members of the Board of Alderman

At your request, we have also examined Parts III through VIII of the accompanying "System Survey and Compliance Questionnaire" of the Town of Marion, Louisiana, covering the period January 1, 2001 to December 31, 2001. Our examination was made in accordance with the procedures enumerated in the Systems Survey and Compliance Questionnaire - Recommended Procedures for Auditing.

In connection with our examination which included the procedures referred to in the proceeding paragraph, nothing came to my attention that caused me to believe that the responses to the attached questionnaire are not fairly stated.

GARRETT & GARRETT
CERTIFIED PUBLIC ACCOUNTANTS


Date June 10, 2002

ADDITIONAL AND SUPPLEMENTARY INFORMATION

TOWN OF MARION
MARION, LOUISIANA
CASH ACCOUNTS
DECEMBER 31, 2001

STATEMENT F-1

	<u>INTEREST RATE</u>	<u>GENERAL FUND</u>	<u>WATER AND SEWER</u>	<u>TOTAL FUNDS</u>
<u>CASH ACCOUNTS</u>				
Regular Checking	1.75%	\$ 46,409.97	\$ 46,898.12	\$ 93,308.09
Petty Cash	-	150.00	100.00	250.00
Total		<u>\$ 46,559.97</u>	<u>\$ 46,998.12</u>	<u>\$ 93,558.09</u>
<u>INVESTED FUNDS</u>				
Certificate of Deposit	2.6%	\$.00	\$ 100,446.18	\$ 100,446.18
Certificate of Deposit	2.0%	\$ 6,317.12	\$.00	\$ 6,317.12
Certificate of Deposit	6.0%	.00	10,102.48	10,102.48
Certificate of Deposit	2.6%	12,975.19	5,306.82	18,282.01
Certificate of Deposit	2.0%	61,829.04	.00	61,829.04
Total		<u>\$ 81,121.35</u>	<u>\$ 115,855.48</u>	<u>\$ 196,976.83</u>
<u>RESTRICTED FUNDS</u>				
Water Meter Checking	1.75%	\$.00	\$ 3,362.37	\$ 3,362.37
C. D. - Water Meter	6.0%	.00	13,307.34	13,307.34
Total		<u>\$.00</u>	<u>\$ 16,669.71</u>	<u>\$ 16,669.71</u>
<u>GRAND TOTALS</u>		<u>\$ 127,681.32</u>	<u>\$ 179,523.31</u>	<u>\$ 307,204.63</u>

See accompanying notes and auditors' report.

STATEMENT F-2

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
DECEMBER 31, 2001

INSURANCE COMPANY	POLICY	DATE	COVERAGE TYPE	AMOUNT	PREMIUM
Trinity Insurance	CFA144-89260636	09/16/01 - 09/16/02	Building Contents	\$ 48,000 12,100	\$ 333.00
EMC Insurance Companies	T216524	02/10/02 - 02/10/03	Bond - Public Employee Coverage	25,000	100.00
Louisiana Municipal Risk Management Agency	LML-149	05/01/00 - 05/01/03	Auto Limit General Liability Limit Medical - Per Person Medical - Per Accident	500,000 500,000 1,000 10,000	6,901.00 4,606.00
			Fire Legal Liabilities Per Occurrence	50,000	
			Law Enforcement Officers Deductible Limit	1,000 500,000	2,160.00
			Public Officials Errors and Omissions Liability Deductibles Limits	1,000 500,000	1,782.00
Audubon Indemnity Co.	APD-822359	12/19/01 - 12/19/02	1996 Ferrera Fire Truck Deductibles Comprehensive Collision 2002 Ford Crown Victoria W/Equipment	126,564 10,000 10,000 23,919 10,000	2,663.85
Louisiana Risk Management	-		Workmen's Comp. Each Accident Policy Limit Each Employee	100,000 500,000 100,000	11,223.63
Risk Management, Inc.			Employee Health and Accident, Dental Life	5,000	12,813.45

See accompanying notes and auditors' report.

TOWN OF MARION
MARION, LOUISIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUAL (DEFERRED) REVENUE AT 12/31/00	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENT EXPENDITURES	CASH/ACCRUAL (DEFERRED) REVENUE 12/31/01
PASSED THROUGH STATE DEPARTMENT OF COMMUNITY DEVELOPMENT:							
US DEPT. OF JUSTICE COPS GRANT							
LA. DEPARTMENT OF HIGHWAY SAFE AND SOBER CAMPAIGN							
LOUISIANA COMMUNITY DEVELOPMENT BLOCK GRANT							
TOTALS							

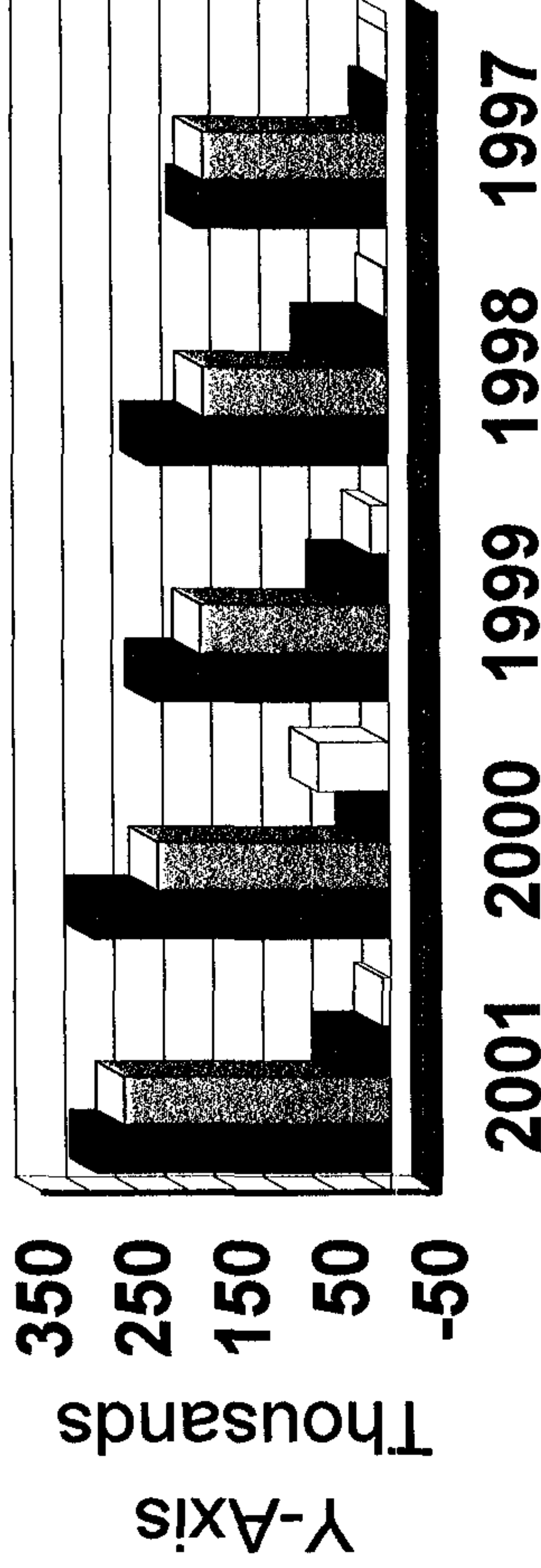
See accompanying notes and auditors' report.

GRAPHS

TOWN OF MARION

GENERAL FUND

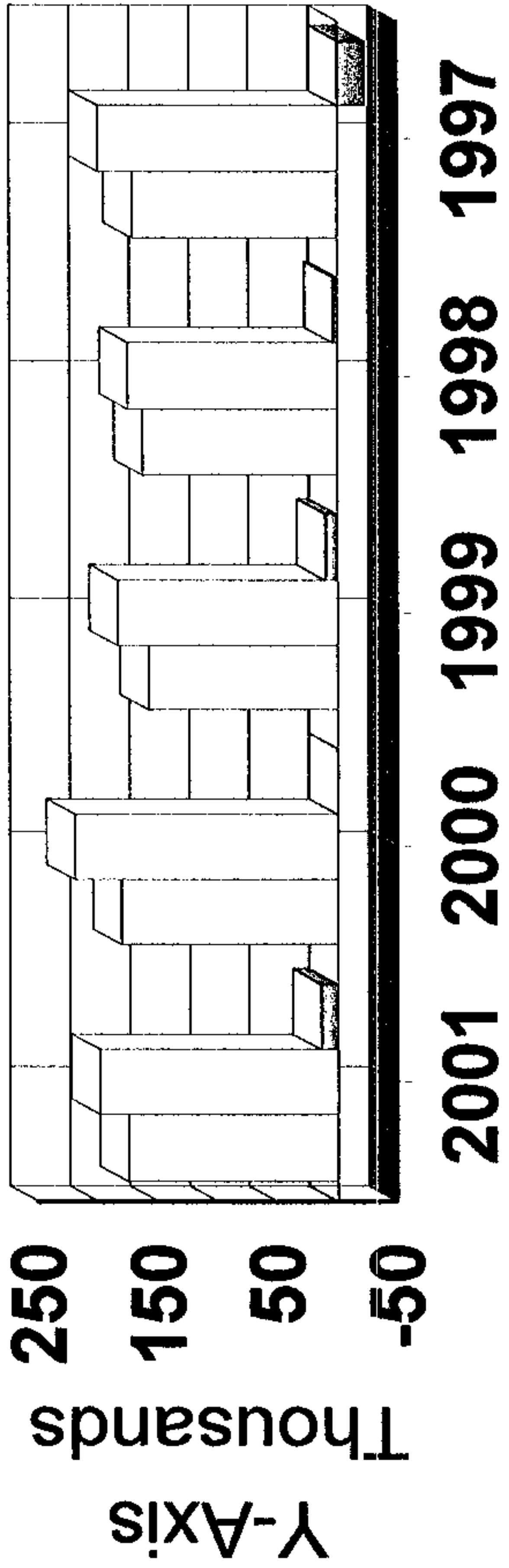
December 31, 2001



	2001	2000	1999	1998	1997
■ REVENUES	\$296,550	\$298,211	\$237,027	\$242,417	\$193,880
▨ EXPENDITURES	\$268,890	\$234,786	\$190,099	\$187,106	\$186,016
■ DEBT & ASSET EXP	\$50,413	\$25,236	\$54,011	\$68,617	\$8,808
□ INCOME (LOSS)	\$8,360	\$71,474	\$18,137	\$3,075	(\$712)

See accompanying notes and auditors' report.

TOWN OF MARION **WATER & SEWER FUND** **DECEMBER 31, 2001**



	2001	2000	1999	1998	1997
REVENUES	\$174,980	\$181,256	\$157,499	\$163,086	\$171,569
EXPENSES	\$198,675	\$219,397	\$183,491	\$175,456	\$200,265
INCOME (LOSS)	\$13,647	(\$1,026)	\$10,060	\$3,769	(\$23,339)

See accompanying notes and auditors' report.

ACTIONS TAKEN ON PRIOR AUDIT RECOMMENDATIONS

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June 10, 2002

The Honorable Kenneth Franklin, Mayor
and Members of the Board of Aldermen

The following are recommendations that were suggested from the prior audit and the actions taken during 2001.

1. Utility Rates

Business sewer rates were set up incorrectly on the billing system. The billing system was set up at \$4 for the first 3,000 gallons instead of the first 2,000 gallons.

One commercial customer is set up to receive a flat \$4 for sewer charges. We could not find any approval for this rate. The clerk said that she does not know why this customer is getting this rate.

For most customers, both business and residential, the maximum amount charged for sewer services is limited to \$12. This is not how sewer is charged. The \$12 limit would be for 10,000 gallons of water used. Anything over 10,000 gallons of water usage is free or would not be charged. The computer is not set up to limit charges to a level of 10,000 gallons of water usage.

Recommendation

We suggest the council remove the limit of \$12 for sewer rates. This would simplify the computerized rate setup.

We suggest that the business sewer rates flat fee minimum be changed to 2,000 gallons instead of 3,000. In 1999, the Town changed computer systems. The minimum gallons rate was set up at 3,000 gallons instead of 2,000 gallons in error. The residential customers were corrected; the business customers were not changed.

We also suggest that the one customer that has a flat \$4 rate be changed to the same rates as the rest of the customers. We feel this was probably another setup error and needs to be changed.

Reply

The Town will look into the adjustments suggested.

Action Taken

The computer system was changed to limit the sewer charges to 10,000 gallons of water usage. The flat fee minimum for sewer was changed from 3,000 to 2,000 gallons.

2. Water and Sewer Receivables

Recommendation

In the prior years, the transactions from the water billing system were not recorded. We suggest that these transactions be recorded to the general ledger on a monthly basis. To accomplish this, some procedures will need to be corrected.

Adjustments to correct individual bills need to be documented and approved by the water supervisor.

There is some confusion on which monthly billing report is the correct one. The water bills include charges for sales taxes, sewer charges, and trash or garbage charges. It is important that the figures on this report match the charges on the bills. We suggest that a reconciliation of the accounts receivable report to the information on the billing report be done monthly.

Action Taken

The monthly reports were printed and some of the transactions were recorded to the general ledger. Most of the suggested was not done due to the experience of the staff.

3. Ad Valorem Taxes

There were several tax bills that were not paid on 1999 assessments. We cannot find any effort to place liens on the property assessed in which the taxes were not paid.

Recommendation

We suggest the Town follow the proscribed Louisiana law concerning collection of Ad Valorem Taxes.

Reply

The new Town Clerk has consulting with the Town's attorney to remedy this matter. She has mailed registered letters to those that owe bills for 2000. She then plans to give a list of unpaid taxes to the Town's attorney for any legal action that will be appropriate.

Action Taken

The Town sent notices out to the individuals, but did not take any other action.

4. Internal Control Cash

Normally procedures to safeguard cash receipts and disbursements involve a separation of duties. This means that one person would be involved in one function while another person would do another. In a small business, this separation of duties would be too costly to administer. In a business with this problem we suggest the following procedures:

- a. The bookkeeper should not sign checks. If this cannot be avoided, checks should require two signatures. In either case, invoices should be approved and attached to the checks before the person in authority signs them. If purchase orders are used, and we strongly recommend purchase orders, attach a copy

to the invoices when the checks are signed. Never sign blank checks and keep all blank checks in one person's custody.

- b. A person in authority should proof the bank statements for checks written and deposits made. If the bank makes copies of the checks or checks do not have preprinted check numbers on them, have the person in authority open the bank statements. We strongly suggest preprinted check numbers. The person proofing the bank statements should question any drafts and check numbers that are out of alignment with other check numbers that have cleared the bank. The bank statements should be reconciled to the general ledger each month.

If you receive bank statement check copies that do not include a copy of the back of the check, we suggest you ask for your original checks back. The bank may charge you a fee for this service. The bank that I have my checking account with, tells me that there will be no charge for a copy of the back of the check. This may be true for your bank as well. In this past year, we have had occasion to receive copies of the front and the back of the checks from two different banks. If the Bank could find the check; you could not read what was copied. For this reason, we suggest that you receive your originals back from the bank.

You should be aware that most banks do not check the signatures on the check unless the amount of the check is for a significant amount of money. The amount of money, we are told, is from \$5,000 to \$10,000. You may want to check with your bank to see what their policy is.

Recommendation

Deposits should be deposited everyday. Collections should be fairly consistent depending on the time of year. The person in authority could look at averages. For instance, water collections per customer or sales taxes collected compared to last year or cash balances compared to prior periods. Accounts receivable balances could be compared from one period to another for consistency.

Reply

The Town of Marion gives each alderman a copy of bank statements at the end of each month. The council approves a list of payables at each council meeting. One of the council members approves all invoices. Deposits are done daily. The Town's clerk does sign checks but does not sign checks written to her.

Action Taken

Most of the deposits we tested were done on a daily basis, however, we did find where utility payments were held for a number of days before depositing to the bank. This is not a sound practice and should not be repeated in the future.

5. Equipment

Recommendation

The Town needs to place ownership tags or markers on all their movable equipment.

Reply

The Town has marked some of their movable equipment, such as police cars and the backhoe. The office equipment and other equipment will be tagged in the future.

Action Taken

The office equipment has been tagged. The tags purchased for the equipment would not stay on equipment stored outside. We suggested the Town use a different tag, such as paint to mark this type of equipment.

6. Payroll

Some of the W-2 s were incorrect because of set up errors dealing with retirement and void checks. Two of the police officers qualified for police retirement in 2000. The withholdings for their contributions were not sheltered from federal or state withholdings. Three employees had void checks during the year that were voided out incorrectly. The computer program has confusing procedures dealing with void checks.

Recommendation

The employees' records should be corrected with the 2001-second quarter payroll reports. Procedures should be established to reconcile the general ledger salary accounts to the earning records, the W-2s and 941s on a quarterly basis. These procedures along with the bank reconciliations should help solve the problems with the void checks.

Reply

The Town will make the appropriate corrections.

Action Taken

There still is a problem with the payroll system. We suggested to the clerk, to try a new computer system and set up a new bank account, just to process the payroll.

We also suggest that the clerk let us check the payroll information, as well as other financial information on a quarterly basis. We feel that after a couple of quarters the problems should be ironed out.

7. Insurance

Recommendation

The Town needs to look into getting an equipment floater policy on their equipment (for example, the Town's backhoe and tractor).

Reply

The town will check into the cost of this type of insurance policy.

Action Taken

The town felt the cost of this type of insurance was too expensive at this time.

Sincerely,

Garrett and Garrett, CPAs

AUDIT RECOMMENDATION AND REPLIES

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June 10, 2002

The Honorable Kenneth Franklin, Mayor
and Members of the Board of Aldermen

1. Utility Billing Procedures

In our test of your utility bills, we noticed some procedure problems concerning the meter readings. A number of bills had meter readings that did not match the meter readings on the original sheets prepared by the meter readers. After talking to water clerk, the water supervisor and the town clerk, we deduced that there was not any intention to give certain customers a break on their utility bill, but just a procedure problem.

At certain times, the meter may malfunction by either spinning forward, rotating backwards or by reaching its top number and changing back to zero. The water supervisor said that the malfunctions are usually caused by blowing out the water line or numbers on the meter sticking. When this happened in the past years, the former Town clerk told the water clerk to use an average usage for that month. This procedure is fine.

The problem occurs when the beginning meter readings are not corrected on the billing system for the next month. The usage is always high and the average usage never changes. We also noticed that some of the average usage is unreasonably low. One customer was billed for 1 gallon of water a month. Based on the actual meter readings, the customer's average meter reading is 2,835 a month.

The Town clerk had already noticed this problem and she and the water supervisor fixed most of the problems at the end of the year.

Recommendation

The water clerk needs some supervision. She has total control over the customer billing. The Town does not have enough personal to separate her duties. We suggest that water clerk position have some guidelines to follow and that the Town clerk and /or the water supervisor get a monthly list of customers that have less than 2000 gallons of monthly water usage.

Reply

The Town will discuss this recommendation and take the appropriate action.

2. Utility Accounts Receivable Computer Program Bad Debts

Former customers who have been cut off from service and still owe a bill are receiving monthly penalty charges. These customers were written off as bad debts in prior years. The water clerk keeps them on the billing system in case they want water services in the future. By leaving them on the accounts receivable list, the amount of accounts receivable is inflated by these people.

Recommendation

Delete these accounts off the accounts receivable list and make another list of these customers. The Town needs to check with their attorney to see if they can collect any amount owed to them if the Town did not pursue these debts.

3. Payroll System

For the last three years, there have been problems with the correctness of payroll reports. Some of these problems deal with procedures involving bank reconciliations. Corrections are not made to the general ledger. The computer system causes some confusion involving void checks. Since the bank reconciliation corrections are not made, voided payroll checks become a problem with the payroll reports' correctness.

The payroll computer system is probably not flexible enough to handle all the idiosyncrasies of the payroll deductions or the staff is not knowledgeable enough to set up the deductions.

Recommendation

We suggest you try a different payroll computer system. We also suggest that the Town open a separate bank account to process the payroll checks and deductions through. We talked to Scott Jones at Marion State Bank and he indicated the bank would not charge the Town a service fee for a new account.

The Town clerk needs some help in areas that she has little training in. We suggest that the Town have a CPA help her with the payroll, the bank reconciliations and other bookkeeping procedures on a quarterly basis until she gets comfortable with these procedures.

Reply

The Town has set started setting up a different computer system for payroll. After this system is set up, the Town will order checks for the new bank account. On a quarterly basis the clerk will have someone help her with the quarterly payroll reports, deductions and the bank reconciliations.

4. Form 1099

The Town did not send out 1099s to individuals receiving more than \$600 in service fees.

Recommendation

The Town should send out the 1099s to individuals by January 31st each year. Entities that do not mail 1099s to the Internal Revenue Service by February 28 each year will have to pay penalties of \$50 to \$100 per each unmailed 1099. The Internal Revenue Service imposes \$5,000 fee if this agency determines the entity has committed fraud.

Reply

The Town knew that the 1099s were due, but forgot to prepare the forms. In the future, the 1099s will be prepared.

The Honorable Kenneth Franklin, Mayor
and Members of the Board of Aldermen
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5. Insurance

Recommendation

The Town needs to review their insurance policies to see if coverage is adequate.

Reply

The Town has already started this process.

Sincerely

Garrett and Garrett, CPAs